



J. TYLER McCAULEY
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2766
PHONE: (213) 974-8301 FAX: (213) 626-5427

December 30, 2003

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **CHILDREN'S HOME SOCIETY OF CALIFORNIA CONTRACT REVIEW**

We have completed a contract compliance review of Children's Home Society of California (CHS), a CalWORKs Stage 1 Child Care service contractor. The review was conducted as part of the Auditor-Controller's Centralized Contract Monitoring Pilot Project.

Background

The Department of Public Social Services (DPSS) contracts with CHS, a private, non-profit, community-based organization that assists parents in locating child care services. The types of services provided by CHS include providing the program participant with child care orientation, consumer education and child care referrals. In addition, CHS conducts monthly monitoring of its co-located staff. CHS is located in the Fourth District.

DPSS pays CHS a negotiated rate of approximately \$120 per case per month. DPSS also pays CHS a fixed monthly fee of approximately \$44,000 to fund CHS' staff co-located at DPSS offices and \$9,000 per year for outreach services. For Fiscal Year 2002-03, DPSS paid CHS approximately \$3,100,000.

Purpose/Methodology

The purpose of the review was to determine whether CHS provided the services outlined in their Program Statement and County contract. We also evaluated CHS' ability to achieve planned service and staffing levels. Our monitoring visit included a review of CHS' billing statements, participant case files, personnel and payroll records, and interviews with CHS staff, program participants and service providers.

Results of Review

Overall, CHS is providing the services outlined in its contract. CHS maintains documentation to support the services billed to DPSS and employs qualified staff to perform those services. The program participants interviewed stated that the services they receive from CHS met their expectations.

In addition, CHS generally achieved their planned services levels for Fiscal Year (FY) 2002-03 and for two months of FY 2003-04. However, for the FY 2003-04, CHS' actual staffing levels for in-house staff (21 full-time positions) are approximately 25 percent less than the staffing levels CHS budgeted and used to calculate their current monthly reimbursement rate.

CHS needs to monitor staffing levels to ensure that significant variances between budgeted levels and actual levels are temporary. If the variances are not temporary, DPSS needs to recalculate the negotiated monthly reimbursement rate so that CHS is reimbursed for actual staffing levels working on the County contract.

Review of Report

On December 15, 2003, we discussed our report with CHS who generally agreed with the finding. In their attached response, CHS indicated they will submit a corrective action plan, including the timeframe to implement the recommendation, to DPSS within 30 days. In addition, we notified DPSS of the results of our review. DPSS indicated they will work with CHS to monitor the contractor's staffing levels.

We thank CHS for their cooperation and assistance during this review. Please call me if you have any questions, or your staff may contact Don Chadwick at (626) 293-1122.

JTM:PM:DC

Attachment

c: David E. Janssen, Chief Administrative Officer
Department of Public Social Services
Bryce Yokomizo, Director
Pearlene Saffold, Chief, Supportive Services Division
Ida L. Riveria, Chief, Contract Management and Monitoring Division
Amelia Nunez-Wells, Chief Executive Officer, CHS
Violet Varona-Lukens, Executive Officer
Public Information Office
Audit Committee

**CENTRALIZED CONTRACT MONITORING PILOT PROJECT
CalWORKs STAGE 1 CHILD CARE PROGRAM
FISCAL YEAR 2003-2004
CHILDREN'S HOME SOCIETY OF CALIFORNIA**

BILLED SERVICES

Objective

Determine whether CHS provided the services billed in accordance with their contract.

Verification

We selected a sample of 24 participant case files (12 referral service participants and 12 non referral participants) from a total of 1,639 active case files and reviewed the documentation to support the services billed and determine if the program participants were eligible to receive services.

Results (Referral and Non-Referral Participants)

Our review of the documentation in the 24 sampled case files confirmed that CHS provided the appropriate services required by their County contract. The documentation showed the program participants received four referrals within three business days of requesting assistance from CHS, as required by the County contract. Our review of the case files also disclosed that multilingual services were provided to participants that requested the services and that consumer education information was provided to each program participant. In addition, documentation in the case files provided sufficient evidence that all 24 individuals were eligible to receive program services.

Recommendation

There are no recommendations for this section.

CLIENT VERIFICATION

Objective

Determine whether the program participants actually received the services that CHS billed DPSS.

Verification

We judgmentally selected a sample of 17 program participants (nine participants that needed referrals to the licensed providers and eight that did not need referrals to the providers) to interview to confirm the services CHS billed DPSS.

Results

The program participants interviewed stated that the services they received from CHS met their expectations. Specifically, the participants stated that CHS provided timely day care referrals and effective program orientation. CHS also assisted in certifying eligibility and authorizing payments timely.

Recommendation

There are no recommendations for this section.

STAFFING/CASELOAD LEVELS**Objective**

Determine whether CHS actual staffing levels are consistent with proposed staffing levels, as required by the County contract.

Verification

We interviewed 21 in-house program staff and nine co-located staff at DPSS locations and reviewed Contractor's records (employee time allocation sheets) to determine whether actual staffing levels were consistent with proposed staffing levels.

Results

Our review of CHS' co-located staffing levels disclosed that CHS achieved their planned staffing level using one manager and nine Program Specialists. Each of the staff interviewed stated they work full-time on DPSS' CalWORKs contract.

However, our review of the in-house staffing levels disclosed that CHS' current staffing level of 21 individuals is 25 percent less than CHS budgeted and used in their negotiated rate calculation.

CHS needs to monitor in-house staffing levels to ensure that significant variances between budgeted levels and actual levels are temporary. If the variances are not temporary, DPSS needs to recalculate the negotiated monthly reimbursement rate so that CHS is reimbursed for actual staffing levels working on the County contract.

Recommendation

- 1. CHS management monitor in-house staffing levels to ensure that significant variances between budgeted levels and actual levels are temporary. If the variances are not temporary, DPSS needs to recalculate the negotiated monthly reimbursement rate so that CHS**

is reimbursed for actual staffing levels working on the County contract.

SERVICE LEVELS

Objectives

Determine whether CHS reported services for Fiscal Year (FY) 2002-03 and for two FY 2003-04 current months (August and September 2003) did not significantly vary from planned services levels.

Verification

We reviewed DPSS' Operational/Administrative Payments for FY 2002-03 and invoices for the August and September 2003 and compared to CHS proposed services levels for the same period.

Results

Our review of CHS reported service levels disclosed CHS generally achieved their planned service levels. For FY 2002-03, CHS' planned service level was to provide services to an average of 1,703 participant cases each month. Actual service levels reported by CHS for FY 2002-03 amounted to 1,674 participant cases per month. For August and September 2003, CHS' planned service level for two months of FY 2003-04 was to provide services to 1,750 participant cases per month. Actual service levels reported by CHS amounted to an average of 1,640 participant cases each month.

Recommendation

There are no recommendations for this section.



4001 Via Oro Avenue, Suite 100
Long Beach, CA 90810-1458
(310) 816-3600
FAX (310) 816-3670

December 16, 2003

J. Tyler McCauley
Los Angeles County Auditor-Controller
500 W Temple, Room 525
Los Angeles, CA 90012

Dear Mr. McCauley:

Re: Contract Review Response

We have reviewed the report issued by your Department and are in general agreement with the findings and recommendations. We will be submitting a corrective action plan to the Department of Public Social Services within 30 days that details our efforts to implement the recommendations contained in the report.

Please call me if you have any questions at (310) 816-3654.

Sincerely,

Carol Kiliany
Associate Chief Executive Officer
and Director of
Child Care and Development Services

PRESIDENT
James T. Spradley, Jr.

OFFICERS
CHAIR
Dorise M. Eagan
VICE CHAIR
John E. Brancery
PRESIDENT
James T. Spradley, Jr.
TREASURER
Joanne M. Pecherski
SECRETARY
Glenn M. Van Velsburg

BOARD OF DIRECTORS
John F. Boudou
San Jose
Udanne M. Eagan
San Rafael
Bernard J. McGinn
Chico
Patricia E. McDermott
Contra Costa
Charlyne Olin-Smith
La Mesa
Barbara J. Parker
Merced
Joanne M. Pecherski
San Francisco
Diane K. Rogers
San Mateo
James H. Smith, M.D.
Los Angeles
John M. Thomas
Riverside
L. Hunter Truitt
San Diego
Glenn M. Van Velsburg
Riverside/Hesperia

CHIEF LEGAL COUNSEL
Richard J. Stronzone

BOARD OF TRUSTEES
Gloria F. Boudry, M.D.
Los Angeles
Betty Clark
Newport Beach
Lynn Bryn
Alhambra
Alex Rose
Oakland
William H. Sutton, Jr.
Los Angeles

CORPORATE HEADQUARTERS
1300 West Fourth Street
Los Angeles, CA 90017

OFFICES
Anaheim • Long Beach
Los Angeles • Mission Hills
Norwalk • Oakland
Sacramento • San Diego
San Jose • Santa Ana
Ventura • Tulsa, Okla.